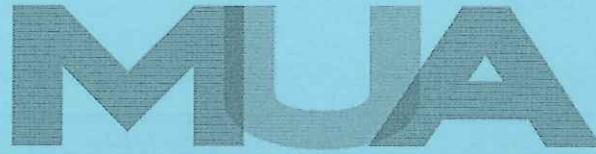


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF DEVELOPMENT STUDIES

DEGREE OF BACHELOR OF ARTS IN DEVELOPMENT STUDIES

BDS 207 : DEVELOPMENT FINANCE

DATE: 6TH DECEMBER 2017

DURATION: 2 HOURS

MAXIMUM MARKS: 70%

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

THE NEW DEVELOPMENT FINANCE LANDSCAPE

Major shifts in the international development finance landscape have created new opportunities and options for developing countries to access external finance for their development priorities. These shifts have also created new challenges and risks for managing such flows.

The development finance landscape has changed in the last ten years, with an expanding number of development finance options available beyond Official Development Assistance (ODA). New actors and sources of development finance are becoming more and more significant, including non-DAC sovereign donors philanthropic organizations, non-governmental organizations (NGOs), special purpose funds (e.g. vertical health and climate funds), climate finance and development finance institutions (DFIs).

The macroeconomic context has also evolved. Some developing country governments – particularly those of recently graduated middle-income countries – are now able to access international financial markets successfully by issuing Eurobonds. This is the result of better macroeconomic conditions (greater fiscal buffers, sustained economic growth even in non-resource rich countries, low inflation rates), improved domestic policy frameworks and implementation, and greater appetite for risk from international investors. Partner countries are attracting more inflows of foreign direct investment (FDI), again even in countries that are not resource-rich. For example, in 2010 emerging and developing economies received more than 50% of FDI. Personal remittances are rising as well, proving to be quite resilient in the face of different macroeconomic shocks sustained over the last few years: they fell to USD 282 billion in 2009 (total flows were USD 296 billion in 2008) and rapidly recovered to USD 312 billion in 2010.

Furthermore, several low-income countries (LICs) have recently graduated to middle-income country (MIC) status. This will result in a decline of concessional financing from

soft windows of multilateral development banks, as well as the phasing out of some development partners as they divert more budget resources towards the poorer and more fragile countries. In other words, graduation to MIC status will mean that financing becomes more expensive for these governments, which will have to rely more extensively on non-concessional (or less concessional) public and private financing sources.

Required:-

- a) Several low-income countries (LICs) have recently graduated to middle-income country (MIC) status. Discuss **two** implied results of the countries graduating from low income countries to middle income countries **(5marks)**
- b) The development finance landscape has changed in the last ten years, with an expanding number of development finance options available beyond Official Development Assistance (ODA). Explain **five** new actors and sources of development finance **(10marks)**
- c) Some developing country governments - particularly those of recently graduated middle-income countries - are now able to access international financial markets successfully by issuing Eurobonds. Analyze **five** reasons why the the recently graduated middle income countries are able to access international financial markets successfully **(10marks)**

QUESTION TWO

- a) Define the concept of governance **(1mark)**
- b) Analyze **four** ways in which good governance affects implementation of development projects in a country **(8 marks)**
- c) Project identification is concerned with the collection, compilation and analysis of economic data for the eventual purpose of locating possible opportunities for investment. Explain three disadvantages of Bottom-Up Approach in project identification **(6marks)**

QUESTION THREE

- a) In the developing countries, the central bank has to play a much wider role. Besides performing the traditional functions, the central bank has to undertake responsibility of economic growth with stability in these economies. Discuss the traditional functions of central (7marks)
- b) The primary argument for better donor coordination is the concern that even as aid levels increase, aid effectiveness is becoming increasingly undermined by fragmentation. Coordination advocates argue that, the profusion of donor agencies in many developing countries causes problems for donors and recipients alike. Evaluate **four** reasons why donor coordination is important for both donors and recipients (8marks)

QUESTION FOUR

- a) Define Sustainable economic development (1mark)
- b) Analyse **three** key factors to be considered for successful implementation of Sustainable Development Goals (6marks)
- c) Evaluate **four** functions of World Trade Organisation (8marks)

QUESTION FIVE

- a) Identify and elaborate four development challenges faced by developing countries (7marks)
- b) Financial Management is a discipline concerned with the generation and allocation of scarce resources (usually funds) to the most efficient user within the firm (the competing projects) through a market pricing system (the required rate of return. Explain **four** managerial functions of finance manager (8marks)

QUESTION SIX

- a) Describe three factors that influence the development of financial sector in an Economy (6marks)
- b) Briefly discuss three human development indicators (9marks)

